

Message Text

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E.O. 11652: NA

TAGS: ECON, EFIN, NATO

SUBJECT: ECONADS: EFFECTS OF INFLATION ON DEFENSE
EXPENDITURES

REF: NATO 6266

1. WE SUGGEST FOLLOWING AMENDMENTS TO TEXT OF DRAFT
REPORT TO THE NAC. MOST ARE EDITORIAL, HOWEVER, WE WOULD
NOTE THE ADDITION TO PARA 5 OF DRAFT TEXT SINCE IT REFLECTS
OUR PREFERENCE, STRONGLY HELD, FOR THE PRIORITIES OF
FURTHER WORK ON THIS TOPIC. COMMENTS ARE KEYED TO PARAS
OF DRAFT TEXT:

PARA 2. WE SUGGEST THAT THE FIRST SENTENCE READ AS FOLLOWS
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IN THE INTEREST OF CLARITY:

"STATISTICS SHOW THAT IN MOST COUNTRIES, THE RATE OF INFLATION HAS BEEN HIGHER IN THE PUBLIC CONSUMPTION SECTOR WHICH INCLUDES ((VICE COMPRISES)) DEFENSE EXPENDITURE"

PARA 5. BEGINNING WITH THE THIRD SENTENCE, TEXT SHOULD BE AMENDED AS FOLLOWS:

"THE EFFORTS TO COORDINATE THE METHOD OF CALCULATING THESE TWO GENERAL INDICES SHOULD THEREFORE BE CONTINUED, AS A MATTER OF FIRST PRIORITY. IN ADDITION, THE MEMBER COUNTRIES COULD ATTEMPT TO DEFINE INDICES REPRESENTATIVE OF CHANGES IN THE REMUNERATION OF SEVERAL MAJOR PERSONNEL CATEGORIES AND IN THE PRICES OF SEVERAL MAJOR EQUIPMENT CATEGORIES."

PARA 7. SUGGEST REDRAFTING BY DIRECTORATE TO CLARIFY WHETHER COMPARISON BETWEEN 1970 AND 1974 EXPENDITURES IS BETWEEN TOTAL PERSONNEL COSTS, AVERAGE COSTS, DEFLATED TOTALS, OR DEFLATED AVERAGES. THIS MAY BE CLEAR FROM TABLE 1, WHICH WAS NOT PROVIDED WITH TEXT, BUT WE WOULD PREFER THAT THIS BE CLARIFIED IN THE TEXT, AS WELL.

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